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JUL 21 2003

July 21, 2003

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

VIA HAND DELIVERY

Marlene H. Dortch, Secretary
Federal Communications Commission
Room CY-B-402
445 12th Street, S.W.
Washington, D.C. 20554

Re: Application by SBC Communications Inc., et al., for Provision of In-Region,
InterLATA Services in Michigan, WC Docket No. 03-138

Dear Ms. Dortch:

I am enclosing the supplemental reply filing of SBC Communications Inc., Michigan Bell Telephone Company, and Southwestern Bell Communications Services, Inc. (collectively "SBC") for Provision of In-Region, InterLATA Services in Michigan. This filing consists of the Supplemental Reply Comments and a Supplemental Reply Appendix, containing affidavits and other supporting material.

Because this supplemental reply filing contains confidential information, we are filing both confidential and redacted versions. Specifically, this reply filing includes:

- a. One original of the portions of the filing that contain confidential information;
- b. One original and four copies of the filing, redacted for public inspection; and
- c. Five CD-ROM copies of the filing, redacted for public inspection.

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REDACTED – For Public Inspection

Letter to Marlene H. Dortch
July 21, 2003
Page 2


Under separate cover, SBC is providing copies of this filing (redacted as appropriate) to Susan Pié, Policy and Program Planning Division, Wireline Competition Bureau, Federal Communications Commission, Room CY-B-402, 455 12th Street, S.W., Washington, D.C. 20544. SBC is also providing copies (redacted as appropriate) to the Department of Justice, the Michigan Public Service Commission, and Qualex (the Commission's copy contractor).

All inquiries regarding access to any confidential information included with this filing (subject to the terms of the applicable protective order) should be addressed to:

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If you have any questions, please call me at 202-326-7928. Thank you for your kind assistance in this matter.

Sincerely,


Geoffrey M. Klineberg

Enclosures

REDACTED – For Public Inspection

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

RECEIVED
JUL 21 2003
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
)
Application by SBC Communications Inc.,)
Michigan Bell Telephone Company, and)
Southwestern Bell Communications Services,)
Inc. for Provision of In-Region, InterLATA)
Services in Michigan)

WC Docket No. 03-138

**APPLICATION BY SBC FOR PROVISION OF
IN-REGION, INTERLATA SERVICES IN MICHIGAN**

SUPPLEMENTAL REPLY APPENDIX

**APPLICATION BY SBC FOR PROVISION OF
IN-REGION, INTERLATA SERVICES IN MICHIGAN**

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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Application by SBC Communications Inc.,)	
Michigan Bell Telephone Company, and)	WC Docket No. 03-138
Southwestern Bell Communications Services,)	
Inc. for Provision of In-Region, InterLATA)	
Services in Michigan)	

SUPPLEMENTAL REPLY AFFIDAVIT OF SCOTT J. ALEXANDER

REGARDING WHOLESALE POLICY ISSUES

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I, Scott J. Alexander, being of lawful age and duly sworn upon my oath, do hereby depose and state as follows:

INTRODUCTION

1. My name is Scott J. Alexander. I am the same Scott J. Alexander that previously filed a Supplemental Affidavit Regarding ISP Terminating Compensation in this Docket on June 19, 2003.¹

PURPOSE OF SUPPLEMENTAL REPLY AFFIDAVIT

2. The purpose of this Supplemental Reply Affidavit is to respond to comments filed in this proceeding by AT&T Corp. ("AT&T"), Sage Telecom, Inc. ("Sage"), TDS Metrocom, LLC ("TDS"), the National ALEC Association/Prepaid Communications Association ("NALA"), and jointly by the Competitive Local Exchange Carrier Association of Michigan, the Small Business Association of Michigan, and the Michigan Consumer Federation (hereinafter "CLECA").

CHECKLIST ITEM 1 – INTERCONNECTION

A. COLLOCATION POWER BILLING

3. TDS complains about the fact that Michigan Bell bills for redundant collocation power. See Affidavit of Rod Cox ¶ 23, attached to Comments of TDS Metrocom, Application by SBC Communications Inc., et al., for Authorization to Provide In-Region, InterLATA Services in

¹ See Supplemental Affidavit of Scott J. Alexander, attached to Application by SBC Communications Inc., Michigan Bell Telephone Company, and Southwestern Bell Communications Services, Inc. for Provision of In-Region, InterLATA Services in Michigan, WC Docket No. 03-138 (FCC filed June 19, 2003) (Supp. App. A, Tab 1) ("Supplemental Affidavit"). My Supplemental Affidavit also incorporated by reference the affidavits I filed in WC Docket 03-16. See Affidavit of Scott J. Alexander, attached to Application by SBC Communications Inc., Michigan Bell Telephone Company, and Southwestern Bell Communications Services, Inc. for Provision of In-Region, InterLATA Services in Michigan, WC Docket No. 03-16 (FCC filed Jan. 16, 2003) (App. A, Tab 1) ("Initial Affidavit"); Reply Affidavit of Scott J. Alexander, attached to Reply Comments of SBC in Support of the Joint Application by SBC Communications Inc., Michigan Bell Telephone Company, and Southwestern Bell Communications Services, Inc. for Provision of In-Region, InterLATA Services in Michigan, WC Docket No. 03-16 (FCC filed Mar. 4, 2003) ("Reply Affidavit") (Reply App., Tab 1).

Michigan, WC Docket No. 03-138 (FCC filed July 2, 2003) (“Cox Affidavit”). Although TDS briefly mentions a \$25,000 back-bill,² the primary complaint is simply that Michigan Bell bills TDS for redundant power capability. Notably, although the collocation arrangements at issue have generally been in place for over two years, during which time Michigan Bell has billed TDS (and other CLECs for that matter) for redundant power capability, TDS did not raise this issue during the extensive Michigan state proceedings or during the comment phase in WC Docket No. 03-16. In fact, TDS only recently raised this issue with Michigan Bell’s collocation account team. Under these circumstances, it is clearly inappropriate for TDS to raise this fact-intensive and interconnection agreement-based issue in this proceeding.³ Indeed, the Commission has addressed almost identical collocation power-related issues in prior 271 applications, and has consistently held that such issues are appropriately resolved at the state level.⁴

² Specifically, TDS alleges that it has received a back-bill of “about \$25,000” and that this demonstrates that Michigan Bell’s “billing systems were in error.” See Cox Affidavit ¶ 23. TDS is mistaken. This back-bill has nothing to do with any supposed billing system error. Instead, the back-bill was the result of human error – which has worked to TDS’s advantage. Based upon an internal review, Michigan Bell discovered in January 2003 that it had failed to bill TDS for redundant power leads for one location since the establishment of the collocation arrangement in question in early 2001. In accordance with the parties’ interconnection agreement, Michigan Bell therefore back-billed TDS to correct the prior underbilling – limiting the back-bill to the prior twelve months. This correction was made in January 2003 and was reflected on TDS’s February 2003 bill.

³ See, e.g., Memorandum Opinion and Order, Application by SBC Communications Inc., Pacific Bell Telephone Company, and Southwestern Bell Communications Services Inc. for Authorization to Provide In-Region, InterLATA Services in California, 17 FCC Rcd 25650, ¶¶ 121-22 (2002) (rejecting CLEC arguments that were not raised before the state commission); Memorandum Opinion and Order, Joint Application by BellSouth Corporation, BellSouth Telecommunications, Inc., and BellSouth Long Distance, Inc. for Provision of In-Region, InterLATA Services in Alabama, Kentucky, Mississippi, North Carolina, and South Carolina, 17 FCC Rcd 17595, ¶¶ 32, 97 & 112 (2002) (same).

⁴ See Memorandum Opinion and Order, Application by Verizon Pennsylvania Inc., Verizon Long Distance, Verizon Enterprise Solutions, Verizon Global Networks Inc., and Verizon Select Services Inc. for Authorization to Provide In-Region, InterLATA Services in Pennsylvania, 16 FCC Rcd 17419, ¶¶ 105-08 (2001); Memorandum Opinion and Order, Application of Verizon New England Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions) and Verizon Global Networks Inc. for Authorization to Provide In-Region, InterLATA Services in Massachusetts, 16 FCC Rcd 8988, ¶¶ 201-03 (2001).

4. Most importantly, Michigan Bell disagrees with TDS's assertion that Michigan Bell "is not entitled" to charge TDS for redundant power, and that TDS is being billed for power that it "does not use." See Cox Affidavit ¶ 23. Although TDS's comments are short on details, this is virtually the identical issue to which I previously responded in my Reply Affidavit ¶¶ 7-14. Although I will not repeat my response here, the short answer is that when a CLEC requests redundant collocation power, dual power leads are provisioned. Michigan Bell must, in effect, be prepared to provide the full capacity of both leads and must manage power demands on its power plant facilities (e.g., batteries, rectifiers, generators, etc.) based on that parameter. The fact that the CLEC may not continuously draw power from both leads does not relieve it from its obligation to pay for the power capacity it has effectively reserved.

B. BILLING AND COLLECTION FOR "INCOLLECT CALLS"

5. Sage claims in its comments that Michigan Bell "has attempted to unilaterally impose billing terms and conditions and procedures upon Sage for all so-called 'Incollect' calls that are nowhere to be found in the terms of the interconnection agreement governing the parties relationship." Opposition of Sage Telecom, Application by SBC Communications Inc., et al., for Authorization to Provide In-Region, InterLATA Services in Michigan, WC Docket No. 03-138, at 3 (FCC filed July 2, 2003) ("Sage Comments").⁵ Sage further alleges that its interconnection agreement contemplates Sage merely functioning as the billing and collection agent for SBC-provided and completed incollect calls. Id. at 6. Sage is wrong.
6. First, Sage's allegations once again raise – in the course of a Section 271 proceeding – a complex factual issue involving interpretation of the parties' obligations under their

⁵ Incollect calls are calls that are billed as "collect" or "alternately billed" (e.g., third number billing accepted), where the call is originated by one LEC's end-user and charges are accepted by the receiving party, who is another LEC's end-user.

interconnection agreement. Moreover, Sage admits that it has filed a complaint against Michigan Bell related to this issue, which is pending before the MPSC, and that it is engaged in continuing discussions with Michigan Bell to resolve the dispute.⁶ See Sage Comments at 3, n.4. Accordingly, this dispute will be resolved through negotiation or by the MPSC – the appropriate forum to address this issue.⁷ It need not and should not be addressed in this proceeding.

7. Nevertheless, Michigan Bell disagrees with Sage’s interpretation of its obligations under the parties’ agreement and pursuant to standard industry practices regarding incollect calls. Sage has taken the position that it has no responsibility to pursue collection activities from its end-users that accept charges for incollect calls, and that it has the right under the agreement to simply recourse any uncollectibles back to Michigan Bell (e.g., when its end-users accept incollect calls and later refuse to pay the charges). Contrary to Sage’s allegations, the parties’ interconnection agreement does not provide Sage the ability to simply recourse uncollectibles back to Michigan Bell in such a manner (particularly without pursuing appropriate collection measures, or taking reasonable steps to block its own end-users from accepting charges for incollect calls). In addition, Sage’s position is inconsistent with the manner in which Michigan Bell deals with incollect calls it receives from Sage (i.e., Michigan Bell does not recourse uncollectibles back to Sage).

⁶ See Complaint of Sage Telecom, Complaint of Sage Telecom, Inc. against SBC Michigan for Implementation of Procedures for Incollect Traffic, Case No. U-13747 (MPSC filed Mar. 26, 2003) (“Sage Complaint”), available at <http://efile.mpsc.cis.state.mi.us/efile/docs/13747/0001.pdf>. In accordance with the MPSC’s procedures, Michigan Bell has filed its answer to the Sage Complaint and the parties have filed testimony. The matter is set for hearing on August 6, 2003.

⁷ See supra n.4.

CHECKLIST ITEM 2 – ACCESS TO NETWORK ELEMENTS

8. NALA's Opposition includes a number of generic allegations concerning Michigan Bell's compliance with checklist items 2 and 14. See Opposition of NALA, Application by SBC Communications Inc., et al., for Authorization to Provide In-Region, InterLATA Services in Michigan, WC Docket No. 03-138, at 2-7 (FCC filed July 2, 2003) ("NALA Opposition"). In each instance, NALA's allegations involve differences over specific interconnection agreement terms (either currently effective or subject to negotiation). NALA fails to acknowledge that such disagreements are inevitable in complex commercial relationships such as those governed by interconnection agreements. Indeed, that is why interconnection agreements contain dispute resolution provisions and procedures and why the state commissions stand ready to resolve disputes stemming from the agreements and/or the underlying negotiations process. Ironically, NALA appears to concede this fact. See NALA Opposition at 11 ("NALA recognizes that in theory many of the identified issues could be resolved through interconnection agreement negotiations."). Accordingly, NALA should not be heard to simply complain that the negotiation/arbitration process involves time and expense or could lead to disparate results in different states. See id. In some instances parties will reasonably disagree over contract language and/or the extent of their obligations. But contractual negotiation (and if necessary arbitration) is the design established in the 1996 Act. Such disagreements should have no place in this proceeding.

A. CALL BLOCKING POLICY

9. NALA first alleges that its member-CLECs are in the business of offering end-users fixed monthly service charges and restricting those end users' ability to utilize services such as "collect calls, third-party calls, and 1-700, 1-900, and 1-976 calls." See NALA Opposition at

3-4. NALA further alleges that its members subscribe to blocking services from Michigan Bell to block such calls, but Michigan Bell “expressly disclaims responsibility for the effectiveness” of such blocks and requires CLECs to pay for calls that allegedly “bypass” the blocking services. Id. at 4.

10. Specifically, NALA alleges that “one NALA member is currently in dispute with SBC in Michigan regarding more than \$100,000 in charges for usage-based services” Id. Once again, NALA’s allegations involve complex factual issues and interpretations of the parties’ interconnection agreement. Once again, the parties’ specific dispute is the subject of a recently filed pending complaint proceeding before the MPSC. Once again, this 271 proceeding is not the appropriate forum to resolve these issues.⁸ Although Michigan Bell has only recently received the formal complaint in this case and has not yet had an opportunity to fully investigate the allegations and to respond, I will attempt to briefly address the nature of the dispute below.

11. Although NALA does not mention it by name, Michigan Bell presumes that the CLEC at issue is CAT Communications International, Inc. (“CAT”). On July 10, 2003, CAT filed a formal complaint with the MPSC, alleging that Michigan Bell’s provision of call blocking features is defective.⁹ CAT further alleges that Michigan Bell has “improperly billed CAT for toll charges that were not blocked” by Michigan Bell’s “defective call blocking feature,”

⁸ Michigan Bell and the alleged NALA member at issue have been involved in extensive business-to-business discussions regarding this issue. Those discussions will continue under Michigan’s mandatory mediation procedures. If the issues are not resolved between the parties, however, the case will proceed before the MPSC.

⁹ See Formal Complaint and Demand for Contested Case Proceeding, Complaint of CAT Communications International, Inc. against Michigan Bell Telephone Company d/b/a Ameritech Michigan, MPSC Case No. U-13821 (MPSC filed July 10, 2003) (“CAT Complaint”), available at <http://efile.mpsc.cis.state.mi.us/efile/docs/13821/0001.pdf>.

and that Michigan Bell has incorrectly “represented that its Toll Billing Exception-A (‘TBEA’) product was a complete call-blocking service.” See CAT Complaint ¶ 7.

12. According to CAT, the calls at issue should have been blocked based upon (1) its inclusion of TBEA and (2) its selection of PIC-NONE intraLATA and interLATA pre-subscription on each of its customers’ lines. Id. ¶ 15. CAT’s Complaint alleges that Michigan Bell has erroneously billed it for approximately \$106,000, of which approximately \$85,000 was for operator-assisted outbound calls, approximately \$11,000 was for customer direct-dialed 1+ outbound calls, and approximately \$10,000 was for operator-assisted in-bound collect and third number billing accepted calls. Id. ¶ 24. Notably, the CAT Complaint does not allege any violation of the 1996 Act – instead it alleges various violations of the Michigan Telecommunications Act.
13. Before addressing the CAT Complaint’s specific allegations, I would note that Michigan Bell offers CLECs a range of call blocking options.¹⁰ Each type of blocking operates differently and is designed to block or disallow specific call types. CLECs can choose the type of blocking restrictions they wish to assign to their end-users on a line-by-line basis, by populating the appropriate fields and values on a standard local service request (“LSR”). CLECs can use the information provided through CLEC On-Line, as well as other assistance from Michigan Bell, as a guide in establishing blocking rules for their end-user customers. Ultimately, however, the decision about which type(s) of blocking to apply to a particular end-user’s line is the responsibility of the CLEC serving that end-user.

¹⁰ Information regarding call-blocking options is available on the CLEC On-Line website at <https://clec.sbc.com/clec>. The CLEC Handbook contains detailed information about specific blocking services including, among others, Toll Billing Exception and Toll Restriction Service, both of which are discussed herein.

14. I would also note that most, if not all, of the current dispute could have been avoided had CAT timely raised with Michigan Bell its concerns with the calls at issue and provided sufficient detail to allow investigation. In this way, Michigan Bell could have timely addressed whether any of the calls at issue should have been blocked or whether CAT had not placed appropriate blocking on the lines at issue. Such disputes should be raised on a business-to-business basis through the Return Daily Usage Feed (“DUF”) process. Under the Return DUF process, the CLEC returns to Michigan Bell for investigation and potential credit those call records that the CLEC believes to be erroneous. Alternatively, the CLEC may raise the issue under the billing dispute process of the parties’ interconnection agreement. But even then, the CLEC must provide the relevant call details to Michigan Bell to allow it to fully investigate the dispute (i.e., the dispute should not just be a vague dollar amount without dates, telephone numbers, or other pertinent information). The key in handling disputes under either process is that the CLEC must raise the dispute in a timely manner and provide call level details. Michigan Bell has only recently received call detail information from CAT for some calls dating back to 2001.

1. Operator-Assisted Outbound Calls

15. Ironically, the face of CAT’s Complaint demonstrates the fallacy of at least 80% of the amount it disputes. According to the CAT Complaint, Michigan Bell has erroneously billed it for approximately \$85,000 related to operator-assisted outbound calls made by its end-users. See CAT Complaint ¶ 24. Notably, CAT’s Complaint does not allege that either TBEA – which is merely designed to block incoming collect and third number billing

accepted calls¹¹ – nor its PIC-NONE pre-subscription designation – which is merely designed to prevent the routing of 1+ pre-subscribed direct-dialed calls¹² – would in any way prevent its customers from making operator assisted calls.

16. Michigan Bell does offer, to its own retail customers as well as to CLECs, a comprehensive call blocking service known as “toll restriction service (‘TRS’).” This service restricts virtually all types of toll calls from being dialed from an end user’s line, including operator-assisted calls. However, CAT does not allege that it has placed this service on the lines at issue.¹³ Similarly, although the “PIC NONE” pre-subscription option generally prevents an end-user from completing direct-dialed, pre-subscribed toll calls (e.g., calls dialed as “1+NPA+NXX+XXXX), that option is not designed to function as a “call-blocking” service. Rather, “PIC NONE” is simply one of several pre-subscription options that can be selected on an exchange access line. See Tariff M.P.S.C. No. 20R, Part 21, Section 2, Sheet No. 2.1 (Option D). Clearly, when a CLEC chooses the “PIC NONE” option, the CLEC cannot reasonably expect this option to function as a surrogate to block all calls for services that can result in an additional charge to the end user.
17. Thus, the vast majority of the disputed amount at issue in CAT’s Complaint has nothing whatsoever to do with an alleged “defect” in Michigan Bell’s call blocking (or any failure by

¹¹ As explained in the CLEC On-Line Handbook, Michigan Bell offers three Toll Billing Exception (“TBE”) options, with each option designed for a specific level of blocking. Option A blocks “collect billing” and “third number billing accepted” calls. Option B blocks “third number billing accepted” calls. Option C blocks “collect billing accepted” calls. All TBE options relate only to the blocking of incoming calls. TBE does not block any end-user outgoing calls.

¹² Michigan Bell’s tariff makes clear that certain types of calls are specifically excluded from intraLATA pre-subscription: “All 0- calls, calls to local directory assistance, local repair, Emergency Service (911), Public Announcement Service (976-XXXX), and all local calls are specifically excluded from IntraLATA Presubscription.” Tariff M.P.S.C. No. 20R, Part 21, Section 2, Sheet No. 2 (App. L, Tab 1).

¹³ TRS is available at no additional monthly charge to CLECs utilizing the UNE-P. As a retail service, however, it is subject to a charge (less the applicable wholesale discount) on resold lines. Michigan Bell’s Resale Local Exchange Service Tariff reflects a charge of \$4.87 per month for this service. See, e.g., Tariff M.P.S.C. No. 20U, Part 22, Section 8, Sheet Nos. 4 & 4.1 (App. L, Tab 2).

Michigan Bell to block calls). Instead, CAT explains in a footnote to its Complaint that it simply believes Michigan Bell's operators should refuse to provide service to CAT's customers based upon the "PIC-NONE" designation on their account. See CAT Complaint ¶ 24, n.6. CAT is wrong. If it wants to place actual call blocking on these lines, it is fully aware that it should order TRS for the lines. Its attempt to argue that a "PIC-NONE" pre-subscription is a proxy for such service should be summarily rejected.

2. Direct-Dialed 1+ Outbound Calls and Operator-Assisted In-Bound Collect and "Third Number Billing Accepted" Calls

18. The remainder of CAT's Complaint allegedly involves approximately \$11,000 of direct dialed 1+ outbound calls made by its customers and approximately \$10,000 of operator-assisted in-bound so-called "third-party" calls accepted by its customer. See CAT Complaint ¶ 24. As previously mentioned, Michigan Bell has not yet had an opportunity to fully investigate the call detail that CAT has recently provided. Moreover, due to the age of many of the calls at issue, it may be difficult if not impossible to recreate the detail needed to fully resolve these calls. These matters will be addressed, however, in preparation for and during the MPSC proceeding. But even assuming CAT's description of the calls is accurate, there are a number of reasons the calls may have been completed.
19. For instance, although PIC-NONE pre-subscription generally prevents 1+ pre-subscribed dialing of toll calls (e.g., 1+NPA+NXX+XXXX), it will not prevent "dial-around" toll calls (e.g., 10XXX prefix). Similarly, in most instances, TBEA will result in the blocking of operator-assisted in-bound collect and third number billing accepted calls. However, certain calls – especially intraLATA calls that originate outside Michigan Bell territory and are

passed to Michigan Bell by other ILECs or CLECS – may “leak” through on lines where TBE blocking has been implemented.¹⁴

20. Neither should NALA be heard to complain about exclusions for call blocking “bypass” when those exclusions are agreed to by its members as part of an interconnection agreement. Specifically, although NALA selectively cites a provision from the Michigan Bell Multi-state Agreement, it fails to explain why this provision – particularly when agreed to and accepted by a CLEC – is objectionable. See NALA Opposition at 4, n.9. Moreover, when this provision is read in its entirety (which explains certain limitations on call blocking capabilities), it is entirely reasonable:

If CLEC does not wish to be responsible for payment of charges for collect, third number billed, toll and information services (for example, 900) calls, it must order the appropriate blocking for lines provided under this Appendix and pay any applicable charges. It is the responsibility of CLEC to order the appropriate toll restriction or blocking on lines resold to End Users. CLEC acknowledges that blocking is not available for certain types of calls, including 800, 888, 411 and Directory Assistance Express Call Completion. Depending on the origination point, for example, calls originating from correctional facilities, some calls may bypass blocking systems. CLEC acknowledges all such limitations and accepts responsibility for charges associated with calls for which blocking is not available and any charges associated with calls that bypass blocking systems.

See, e.g., Easton Interconnection Agreement, Appendix Resale, § 8.8 (App. B, Tab 6). The CAT interconnection agreement contains identical provisions to those cited above.

¹⁴ Michigan Bell also offers a feature known as “selective blocking,” which is a blocking functionality that selectively blocks calls that originate from certain inmate facilities that are served by SBC’s Public Communications unit that are billable to CLEC resale or UNE-P end-users. When selective blocking is utilized, traffic originating from these inmate facilities (if necessary equipment has been placed) will not complete to such CLEC end-users. See Accessible Letter CLECALL02-144 (Nov. 14, 2002) (App. I, Tab 18); Accessible Letter CLECALL02-037 (Mar. 22, 2002) (App. I, Tab 10). Although Michigan Bell does not have detailed statistics regarding the effectiveness of blocking services in Michigan, the blocking options generally work as designed subject to certain technical limitations. In those instances when call blocking may fail, however, mechanisms exist to allow parties to identify and dispute those calls.

B. DEPOSIT REQUIREMENTS

21. NALA next alleges that Michigan Bell's deposit requirements are onerous and overly broad. See NALA Opposition at 5-7. NALA's complaint should be disregarded for a number of reasons. First, NALA does not cite any specific instance where Michigan Bell has required an unreasonable deposit from a CLEC. Instead, NALA generically objects to language in the Multi-state Agreement offered by Michigan Bell. As explained in my Initial Affidavit, however, the Multi-state Agreement represents merely one of several options for a CLEC to obtain an interconnection agreement in Michigan. See Initial Affidavit ¶¶ 21-26 & n.6. Michigan Bell negotiates interconnection agreements with CLECs. The general deposit language offered by Michigan Bell allows for the creditworthiness of a particular CLEC to be factored into any deposit required of that particular CLEC. Most importantly, if the parties are unable to negotiate a mutually agreeable deposit provision, the issue is subject to arbitration.¹⁵
22. Second, it is hardly surprising that Michigan Bell seeks provisions that allow it to obtain deposits from CLECs that have not yet established a good credit history with Michigan Bell, have a history of late payments, or encounter financial difficulties that Michigan Bell reasonably determines to have impaired their credit. See, e.g., Easton Agreement, General Terms and Conditions, § 7.2. This is simply a prudent business practice designed to protect

¹⁵ One recent example of this is the arbitration between Michigan Bell and MCImetro before the MPSC. See Petition for Arbitration, Michigan Bell Telephone Company d/b/a SBC Michigan's Petition for Arbitration of Interconnection Rates, Terms and Conditions and Related Arrangements with MCImetro Access Transmission Services, LLC Pursuant to Section 252(b) of the Telecommunications Act of 1996, Case No. U-13758 (MPSC filed Apr. 11, 2003), available at <http://efile.mpsc.cis.state.mi.us/efile/docs/13758/0001.pdf>. Notably, the arbitration panel in that case recently issued its Notice of Proposal For Decision, rejecting MCImetro's proposed deposit provisions and adopting those proposed by Michigan Bell. See Notice of Proposal For Decision, Michigan Bell Telephone Company d/b/a SBC Michigan's Petition for Arbitration of Interconnection Rates, Terms and Conditions and Related Arrangements with MCImetro Access Transmission Services, LLC Pursuant to Section 252(b) of the Telecommunications Act of 1996, Case No. U-13758, at 4-5 (MPSC June 26, 2003), available at <http://efile.mpsc.cis.state.mi.us/efile/docs/13758/0067.pdf>.

Michigan Bell from costly uncollectibles and significant financial risk.¹⁶ Once again, however, if a CLEC disagrees with the parameters of the deposit requirements proposed by Michigan Bell, it is obviously free to negotiate/arbitrate different provisions.

23. Lastly, NALA cites the Commission's December 2002 Policy Statement regarding deposit and payment provisions in interstate access tariffs as support for its position that Michigan Bell's deposit requirements are unreasonable.¹⁷ However, that Policy Statement merely provided guidance regarding "deposit and payment provisions of [ILEC] access tariffs." Policy Statement ¶ 1. The Policy Statement had nothing to do with section 251 interconnection agreements. This distinction is critical because access tariffs generally apply to all eligible customers, while interconnection agreements can be negotiated and tailored between the parties. Indeed, the fact that the access tariff proposals were "broadly crafted measures applicable to all customers" was one of the main factors cited in the Commission's criticisms of the proposed tariff revisions. Id. ¶ 30. In any event, the Commission specifically noted its long-standing position that ILECs could require deposits from customers with "a proven history of late payment or without established credit." Id. ¶ 7.

C. ESCROW REQUIREMENTS

24. NALA also alleges that Michigan Bell's escrow policy and inefficient dispute resolution processes causes financial harm to CLECs. See NALA Opposition at 7. Once again, however, NALA offers no specific allegations that any of its members have been adversely

¹⁶ Michigan Bell's deposit policy is particularly reasonable given the current industry environment. Typically, by the time a bill is issued some charges may already be 30 days old. When the bill is due – some of the charges may be 60 days old. If a CLEC does not pay on a timely basis, the receivable could be pushed well beyond 90 days. Hence, a 3-month deposit requirement is not unreasonable. Notably, such deposits generally accrue interest. See, e.g., Easton Agreement, General Terms and Conditions, § 7.5.

¹⁷ See Policy Statement, Verizon Petition for Emergency Declaratory and Other Relief, 17 FCC Rcd 26884 (2002) ("Policy Statement").

impacted by Michigan Bell's escrow policy and/or dispute resolution process. Notably, although NALA alleges that the CAT dispute has gone unresolved for more than 18 months, this is largely because the CLEC did not provide the timely call detail to allow Michigan Bell to investigate its claims. Furthermore, although NALA complains about escrow requirements, many CLECs – including CAT – have failed to establish an escrow account with Michigan Bell in connection with their disputed bills.

25. At bottom, NALA does not appear to argue that Michigan Bell should be required to forego escrow requirements altogether. Instead, it simply suggests that the parties should be able to negotiate reduced escrow requirements. Id. at 7. Michigan Bell agrees that this is an issue best suited to carrier-to-carrier negotiations, and any disputes that arise in that context should be resolved by the MPSC. Accordingly, it is unclear why NALA believes such generic complaints belong in this proceeding.
26. As for Michigan Bell's dispute resolution process, Michigan Bell's MPSC-approved interconnection agreements contain reciprocal and equitable provisions for either party to address billing disputes. See, e.g., Easton Agreement, General Terms and Conditions, § 10. By placing disputed amounts into an escrow account, both Parties are protected from financial harm, as the funds are guaranteed to be available upon resolution of the dispute and cannot be released without the signature of both parties. Use of an escrow account also allows for a cessation of collection activity against the disputing party until the dispute is resolved. In addition, an escrow requirement ensures that neither party exploits the dispute process to avoid collection activity.
27. Contrary to NALA's claims, Michigan Bell's standard dispute resolution process is not inefficient or unreasonable. Indeed, the standard process provides the parties three methods

of resolution. See id. § 10.3.1. The first method allows for the handling of billing disputes through the applicable local service center.¹⁸ See id. § 10.4. If this process does not result in a satisfactory resolution, the parties can employ the second method, which is an informal resolution involving good faith negotiations between party representatives. See id. § 10.5. In the few instances in which this method does not resolve the matter, the parties are free to pursue the third method, which is a formal dispute resolution. See id. § 10.6. Of course, if a CLEC believes this standard process will be insufficient, or too burdensome, it always remains free to negotiate a different process in its interconnection agreement.

CHECKLIST ITEM 13 – RECIPROCAL COMPENSATION

28. AT&T claims in its comments that Michigan Bell “denies CLECs nondiscriminatory access to reciprocal compensation arrangements in violation of checklist item thirteen” based upon its MFN policy related to reciprocal compensation provisions. Comments of AT&T Corp., Application by SBC Communications Inc., et al., for Authorization to Provide In-Region, InterLATA Services in Michigan, WC Docket No. 03-138, at 37-38 (FCC filed July 2, 2003). Notably, AT&T did not raise any such concerns in WC Docket No. 03-16, despite the fact that Michigan Bell’s position has not changed in the interim period. Moreover, AT&T does not claim that it has been denied reciprocal compensation or that it has been unable to obtain reasonable and nondiscriminatory reciprocal compensation provisions in its interconnection agreement. To the contrary, AT&T’s currently effective interconnection agreement in Michigan clearly contains such provisions. See AT&T Interconnection Agreement, Article IV (App. B, Tab 2). Instead, AT&T appears to merely disagree with Michigan Bell’s

¹⁸ For a discussion of the SBC-Midwest LSC dispute process, see Supplemental Affidavit of Justin W. Brown, Mark J. Cottrell and Michael E. Flynn ¶¶ 115-120 (Supp. App. A, Tab 2).

interpretation of the Commission's ISP Reciprocal Compensation Order.¹⁹ This proceeding, however, is not an appropriate forum for an academic debate of this subject.

29. In any event, I have already addressed this issue on several occasions. As I explained in my Initial Affidavit, it is Michigan Bell's position that the ISP Reciprocal Compensation Order effectively excludes reciprocal compensation provisions from section 252(i) requests. See Initial Affidavit ¶ 22, n.7. In addition, I addressed an almost identical complaint raised by Z-Tel Communications, Inc. in my Reply Affidavit ¶¶ 23-25. Accordingly, AT&T's arguments should be rejected.
30. CLECA alleges that Michigan Bell fails checklist item 13 because, among other things, there has been "no comprehensive testing of reciprocal compensation," and that Michigan Bell "would flunk any such test." See CLECA Comments, Application by SBC Communications Inc., et al., for Authorization to Provide In-Region, InterLATA Services in Michigan, WC Docket No. 03-138, at 12-14 (FCC filed July 2, 2003). These are exactly the same arguments that CLECA filed in its comments in WC Docket No. 03-16. See CLECA Initial Comments at 13. I addressed CLECA's arguments in detail in my Reply Affidavit ¶¶ 19-22. As CLECA has raised no new allegations, I will not repeat my responses here.²⁰

¹⁹ See Order on Remand and Report and Order, Implementation of the Local Competition Provisions in the Telecommunications Act of 1996; Intercarrier Compensation for ISP-Bound Traffic, 16 FCC Rcd 9151 (2001) ("ISP Reciprocal Compensation Order"), remanded, WorldCom v. FCC, 288 F.3d 429 (D.C. Cir. 2002), cert. denied, 71 U.S.L.W. (U.S. May 5, 2003) (remanding but not vacating the Order).

²⁰ At the heart of CLECA's allegations is its claim that LDMI received a letter in August 2002 explaining a billing error related to reciprocal compensation. As I explained in my Reply Affidavit, however, LDMI received that letter in error. See Reply Affidavit ¶ 21. CLECA also alleges that TelNet Worldwide, Bullseye Telecom and CoreComm received similar letters between August and October 2002. See CLECA Comments at 14. Unlike LDMI, those CLECs were among the 16 intended recipients of the letter – as discussed in my Reply Affidavit. Although CLECA's comments might leave the impression that none of these CLECs ever received any follow-up on this matter, notices and detailed spreadsheets explaining the changes were indeed sent to the intended recipients as explained at paragraph 21 of my Reply Affidavit.

CONCLUSION

31. For the reasons set forth above, the comments of the parties opposing Michigan Bell's application should be rejected.
32. Pursuant to Part II. E. of the Consent Decree entered into between SBC Communications Inc. and the Federal Communications Commission, released on May 28, 2002, see Order, In re SBC Communications, Inc., 17 FCC Rcd 10780 (2002), I hereby affirm that I have (1) received the training SBC is obligated to provide to all SBC FCC Representatives; (2) reviewed and understand the SBC Compliance Guidelines; (3) signed an acknowledgment of my training and review and understanding of the Guidelines; and (4) complied with the requirements of the SBC Compliance Guidelines.
33. This concludes my Supplemental Reply Affidavit.

STATE OF ILLINOIS

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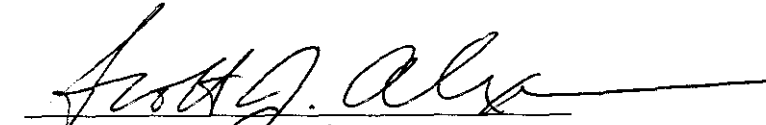
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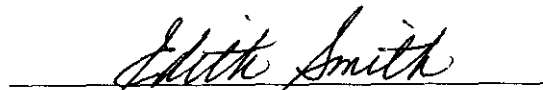
I declare under penalty of perjury that the foregoing is true and correct.

Executed on July 16, 2003.



Scott J. Alexander

Subscribed and sworn to before me this 16 day of July, 2003.



Notary Public



